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United Nations

United Nations Human Settlements Programme

Financial report and audited financial statements

for the biennium ended 31 December 2005 and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-first Session
Supplement No. 5H (A/61/5/Add.8)

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

[31 March 2006]

In accordance with financial regulation 6.5 and rule 106.1 of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for the biennium 2004-2005 ended 31 December 2005, which I hereby approve.

Copies of these statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Anna Kajumulo **Tibaijuka**
Executive Director
United Nations Human Settlements Programme

Chairman, Board of Auditors
United Nations Headquarters
New York

[28 July 2006]

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2005.

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit and
Chairman United Nations Board of Auditors

The President of the General Assembly of the United Nations
New York

Chapter I

Financial report for the biennium 2004-2005 ended 31 December 2005

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report together with the financial statements of the United Nations Human Settlements Programme (UN-Habitat), including associated trust funds and other related accounts, for the biennium 2004-2005 ended 31 December 2005. The accounts consist of seven statements supported by five schedules and notes to the financial statements. The accounts were transmitted to the Board of Auditors on 31 March 2006.

2. As prescribed by financial regulation 1.2, the financial period of the Organization consists of two consecutive calendar years, the first one being an even year. The Board of Auditors conducted an interim audit on these accounts and did not report to the Advisory Committee on Administrative and Budgetary Questions any situations that should be brought to the attention of Member States.

3. The General Assembly, in its resolution 56/206 of 21 December 2001, elevated UN-Habitat to the status of a United Nations programme. Commencing in 2004, to reflect the full activities of UN-Habitat, and with the agreement of the United Nations Secretariat, a combined financial report has been prepared for the United Nations Human Settlements Programme incorporating both technical cooperation activities and the United Nations Habitat and Human Settlements Foundation. The reporting of UN-Habitat technical cooperation activities as part of the financial statements prepared by the United Nations Secretariat was then discontinued.

4. Comparative figures for the biennium 2002-2003 have been restated to achieve consistency and comparability as appropriate. The length of the financial report has been kept to a minimum in accordance with United Nations guidelines.

5. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

B. Level of appropriations, allocations/allotments, expenditures and commitments

6. The UN-Habitat Governing Council, in its decision 19/2 of 9 May 2003, approved for the biennium 2004-2005 a budget of $44,412,900 for the expenditures of the Foundation. The Governing Council further endorsed the budget targets of the Executive Director and authorized her, subject to availability of resources and in consultation with the Committee of Permanent Representatives, to make commitments above the level of $44,412,900 up to $50,520,500. Further, the Governing Council at its twentieth session, in April 2005, acknowledged a revised budget of $67,019,500 for the biennium 2004-2005.

7. The total expenditures remained within the budget allocations approved by the Governing Council. Total allocations and expenditures for the Foundation for the biennium 2004-2005 were as follows:

(Thousands of United States dollars)

	Allocations	*Expenditures*	*Unexpended allocations*
Programme activities	14 787	13 155	1 632
Project activities			
Non-earmarked	4 314	3 709	605
Earmarked	40 420	32 865	7 555
Water and sanitation trust fund	14 412	13 946	466
Palestinian trust fund	755	480	275
Programme support cost activities	2 675	2 192	483
Total	**77 363**	**66 347**	**11 016**

C. Status of contributions

8. The United Nations Habitat and Human Settlements Foundation received non-earmarked pledges and contributions amounting to $21,041,290 during the biennium (see schedule 5.2). In addition, the Foundation received $22,735,006 for the water and sanitation trust fund, $713,927 for the Special Human Settlements Programme for the Palestinian People and $35,238,823 in other earmarked contributions during the biennium 2004-2005. The Executive Director accepted those contributions for purposes consistent with those of the Programme under her delegated authority, in line with the provisions in the special annex for the United Nations Habitat and Human Settlements Foundation to the Financial Regulations and Rules of the United Nations, ST/SGB/UNHHSF Financial Rules/3 (1978), rule 307.5.

9. The Governing Council, in its decision 19/2, approved an increase in the general-purpose statutory reserve for the Foundation from $1,002,663 to $2,419,100 for the biennium 2004-2005 (statement IV).

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations Human Settlements Programme (UN-Habitat) for the biennium ended 31 December 2005 at its headquarters and three regional offices. The Board has also audited the financial statements of UN-Habitat for the biennium ended 31 December 2005.

The Board issued an unqualified audit opinion on the financial statements of UN-Habitat for the biennium ended 31 December 2005, as reflected in chapter III.

Implementation of previous recommendations

The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the financial period in which such recommendations were first made in the annex to the present chapter. Of the 14 recommendations 10 (71 per cent) had been implemented while 4 (29 per cent) were under implementation. Of the four recommendations not yet fully implemented, three related to the biennium 2002-2003 and one related to 2000-2001.

Financial overview for the biennium ended 31 December 2005

For the biennium 2004-2005, the Programme's total income of $228.48 million exceeded total expenditure of $169.28 million before prior-period adjustments. The increase in income of $121.53 million (114 per cent) compared to the previous biennium was due mainly to the increase in contributions from Governments and public donors by 159 per cent. The total expenditure increased by $74.51 million (79 per cent) compared with $94.78 million in the biennium 2002-2003.

Total assets increased by $89.92 million (140 per cent) from $64.11 million in 2003. The net increase is attributable to the increase in the investment in the cash pool by 91 per cent, from $54.61 million to $104.04 million. The increase in total liabilities of $30.84 million (87 per cent) from $35.29 million in 2003 to $66.13 million in 2005 was due mainly to the increase in unliquidated obligations by 131 per cent. Total liabilities comprised 90 per cent unliquidated obligations and 10 per cent accounts payable.

The UN-Habitat Governing Council, in its decision 19/2 of 9 May 2003, approved an increase in the general-purpose statutory reserve for the United Nations Habitat and Human Settlements Foundation from $1.0 million to its present level of $2.4 million for the biennium 2004-2005. The total reserves and fund balances increased by $59.08 million (205 per cent), from $28.81 million in 2003 to $87.89 million in 2005.

United Nations system accounting standards

The financial statements were consistent with the United Nations system accounting standards, except for (a) the accounting for pension funds and advances from others as deferred charges instead of expenditures (disbursements) and other accounts payable, respectively, which resulted in the overstatement of the

unliquidated obligations account by $265,699 and the accounts payable account by $3,928; and (b) the non-recognition of the inventory of expendable items as required under paragraph 49 (iv) of the accounting standards.

Presentation and disclosure of financial statements

The "other assets" account in note 4 (b) disclosed the account balances of education grant advances, commitments against future years and others. However, it did not include the inventory of unused expendable items as at 31 December 2005, contrary to paragraph 49 (iv) of the accounting standards.

Write-off of losses of cash, receivables and property

The Administration reported the write-off of receivables of $6,273 and non-expendable property of $116,619. The non-expendable property reported as disposed of included $98,306 covering the cost of five vehicles, which were recommended by the Local Property Survey Board for repair and subsequently confirmed by the Administration as having been repaired and already in operating condition.

Programme management

For the biennium 2004-2005, UN-Habitat headquarters and its regional offices implemented 467 projects, with a budget or appropriation of $212.61 million and total expenditure of $157.85 million for the biennium. The Board noted that:

(a) At the UN-Habitat Regional Office for Latin America and the Caribbean, expected accomplishments for the "Global Campaigns" programme were not quantified so that actual performance against expectations could not be determined as required under rule 105.4 of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/2000/8), and in the final reporting of projects, while all accomplishments per objective were comprehensively listed, they were not organized according to project milestones;

(b) At the UN-Habitat Regional Office for Asia and the Pacific, the 90-day report summarizing project implementation status was not promptly issued for tsunami-related projects, and out of 23 ongoing projects in 2004, 5 did not have workplans, while 1 did not specify the project's performance indicators;

(c) At the UN-Habitat Regional Office for Africa and the Arab States, activities undertaken were reported without reference to the time frame indicated in the respective workplan, and although delays and reasons for them were mentioned, slippages were not quantified and therefore were not captured in the report; and 15 projects had been completed by 31 December 2003 or earlier, but the accounts remained open as at 31 December 2004.

Fund management

Pursuant to ST/SGB/2000/13 and Corr.1, the United Nations Office at Nairobi provides financial services to UN-Habitat. The Board noted that:

(a) TDF fund receivable from the United Nations Development Programme (UNDP) had not been settled for more than five years;

(b) At the UN-Habitat Regional Office for Asia and the Pacific, fees on bank transfers were reflected in the disbursement vouchers (in journal voucher format) as charges to the foreign exchange loss/gain account instead of the bank charge account, resulting in the overstatement of the foreign exchange loss/gain account.

Property management

UN-Habitat reported total acquisitions for the biennium 2004-2005 amounting to $2.653 million. The Board noted that:

(a) Various acquisitions of non-expendable property amounting to $2.43 million were neither included in the listing of acquisitions prepared by the Procurement, Travel and Shipping Section nor in the inventory report prepared by the outposted offices;

(b) The inventory report prepared by a contractor hired by UN-Habitat headquarters did not contain data such as purchase date, purchase amount and, in some instances, serial numbers of computer equipment; included items owned by the United Nations Environment Programme (UNEP) and the United Nations Office at Nairobi; and did not reflect the movement of property;

(c) The Regional Office for Africa and the Arab States inventory reports did not contain information such as dates on which the property was purchased or acquired or the location where it was issued;

(d) At the Regional Office for Latin America and the Caribbean, 231 items of non-expendable equipment listed in the inventory report belonged to the Municipality of Rio de Janeiro and included 30 expendable items, 7 disposed of items and 3 personal items belonging to the senior human settlements officer.

Human resources management

Managing human resources and determining the resource requirements, including directing policy and guiding, supervising and implementing personnel administration policies in accordance with the staff regulations and rules are among the services provided by the United Nations Office at Nairobi to UN-Habitat. The Board noted that at the Regional Office for Latin America and the Caribbean there were no written contracts to support the payment of services by three individual contractors, contrary to the provisions of administrative instruction ST/AI/1999/7; no formal training needs assessment, training plan or monitoring system were in place for staff development; and no formal assessment/evaluation of the impact of the training on the staff and the Organization had been conducted.

Information and communication technology

The Board in its previous report had raised the issue of the functionality of the Integrated Management Information System (IMIS) that automatically closed any unencumbered allotment at the end of the fiscal year. As a temporary solution, pending the receipt of the approved funding document or allotment, IMIS allowed the creation of allotments with zero balances in the next fiscal year if related allotments existed in the prior fiscal year. Those allotments would then be registered with negative balances in the project status report generated by IMIS if expenditures were charged against them.

The fund status report as at 31 December 2005 containing, inter alia, allotment, expenditure and unencumbered balance of allotment, reflected negative balances in expenditures totalling $674,556 for seven funds. Also, the Board's review of a sample of the project status reports of the QXB fund disclosed that 5 out of 51 projects had exceeded their allotments by a total of $361,366 and 1 project had incurred an expenditure of $500,923 against a zero allotment.

Fraud and presumptive fraud

The Administration reported to the Board two cases of fraud or presumptive fraud during the biennium 2004-2005. One case pertained to a false overtime claim from March 2003 to March 2005 in the total amount of 298,386 Kenya shillings (approximately $4,202), and the other pertained to an attempted fraud of a United Nations Office at Nairobi account with a depository bank.

Recommendations

A summary of the main recommendations of the Board is set out in paragraph 10 of the report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Human Settlements Programme (UN-Habitat) for the biennium 2004-2005 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium ended 31 December 2005 had been incurred for the purposes approved by the General Assembly; whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of the Programme presented fairly the financial position as at 31 December 2005 and the results of its operations for the biennium then ended, in accordance with the United Nations system accounting standards. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent the Board considered it necessary to form an opinion on the financial statements.

3. In addition to the audit of accounts and financial transactions, the Board carried out reviews under United Nations financial regulation 7.5. The reviews focused primarily on the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UN-Habitat.

4. The audit was carried out at UN-Habitat headquarters in Nairobi and at its regional offices in Fukuoka, Japan (Regional Office for Asia and the Pacific), Rio de Janeiro, Brazil (Regional Office for Latin America and the Caribbean) and Nairobi (Regional Office for Africa and the Arab States).

5. The Board continued its practice of reporting the results of specific audits through management letters containing audit findings and recommendations to the Administration. This practice allowed an ongoing dialogue with the Administration.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

7. A summary of the Board's main recommendations is contained in paragraph 10 below. The detailed findings and recommendations are reported in paragraphs 15 to 102.

1. Previous recommendations not fully implemented

Biennium ended 31 December 2003

8. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board reviewed the measures taken by the Administration to implement

the recommendations made in its report for the biennium ended 31 December 2003.[1] Details of the action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. The review showed that out of the 14 recommendations, 10 (71 per cent) had been implemented and 4 (29 per cent) were under implementation.

Ageing of previous recommendations

9. The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and indicated the financial period in which such recommendations were first made in the annex to the present chapter. Of the four recommendations not yet fully implemented, one (25 per cent) relates to the 2000-2001 period and three (75 per cent) relate to 2002-2003.

2. Main recommendations

10. **The Board recommends that the United Nations Human Settlements Programme:**

United Nations system accounting standards

(a) **Ensure that the United Nations Office at Nairobi adjust the inappropriate entries to the deferred charges account (para. 22);**

Presentation and disclosure of financial statements

(b) **Conduct an inventory of expendable items and account for as well as disclose them pursuant to paragraph 49 (iv) of the United Nations system accounting standards (para. 25);**

Write-off of losses of cash, receivables and property

(c) **Make the necessary adjustments in note 8 to the financial statements in respect of those vehicles reported as disposed of but actually in operating condition and one piece of equipment pending write-offs and awaiting disposal (para. 33);**

Programme management

(d) **Revise and improve the final report format such that the reported accomplishments match the groupings as presented in the project action plan for ease of evaluation (para. 45);**

(e) **Ensure that activities reported in the progress reports make reference to the time frame indicated in the approved workplans and that any slippages are quantified and indicated in the report (para. 49);**

(f) **Comply with the requirements of the biennial programme plan of UN-Habitat in the preparation of workplans (para. 52);**

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[1] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5H* (A/59/5/Add.8), chap. II.

Property management

(g) **Ensure that programme managers include and report all non-expendable property acquired by outposted offices in their inventory reports in the period in which it was acquired and coordinate with the Procurement, Travel and Shipping Section of the United Nations Office at Nairobi in conjunction with the Accounts Section of the Budget and Financial Management Service to keep track of the acquisitions of outposted offices (para. 64);**

Human resources management

(h) **Execute contracts with individual contractors irrespective of the amount involved to ensure the faithful performance of the agreed work to be done (para. 82);**

(i) **Evaluate the performance of consultants in a timely manner and strictly ensure that final payments are not released until the final performance evaluation is issued, in accordance with administrative instruction ST/AI/1999/7 (para. 86);**

Integrated Management Information System

(j) **In conjunction with the United Nations Office at Nairobi, coordinate with the United Nations Secretariat in respect of the need for IMIS enhancement to prevent over-obligation or overexpenditure in technical cooperation projects and to reflect the actual financial status of projects in the IMIS-generated project status reports (para. 98).**

11. The Board's other recommendations appear in paragraphs 38, 42, 57, 61, 73, 75, 79 and 92.

3. Background

12. The General Assembly, in its resolution 56/206 of 21 December 2001, decided to transform the Commission on Human Settlements and its secretariat, the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, with effect from 1 January 2002, into the United Nations Human Settlements Programme, to be known as UN-Habitat.

13. Commencing in 2004, to reflect the full activities of UN-Habitat and with the agreement of the United Nations Secretariat, a combined financial report is prepared for the United Nations Human Settlements Programme incorporating both technical cooperation activities and the United Nations Habitat and Human Settlements Foundation. The reporting of UN-Habitat technical cooperation activities as part of the United Nations financial statements was superseded by this combined report.

14. The functions relating to human resources management and other staff-related services, financial operations, general support services, including contracts and procurement, common conference services and library and information facilities have been managed by the United Nations Office at Nairobi since 1 January 1996.

B. Detailed findings and recommendations

1. Financial overview

15. The Board performed an analysis of the financial position of UN-Habitat as at 31 December 2005 and the results of its operations and cash flows for the period then ended. Some key financial data are set out in the following table:

(Thousands of United States dollars)

	2002-2003[a]	*2004-2005*
Total income	106 952	228 482
Total expenditure	94 777	169 283
Excess of income over expenditure	12 175	59 199
Total assets	64 106	154 028
Total liabilities	35 292	66 132
Reserves and fund balances	28 814	87 896
Cumulative surplus	11 495	19 669
Major accounts		
Voluntary contributions	76 038	196 580
Cash and term deposits, investments and cash pool	62 436	129 039
Unliquidated obligations	25 707	59 485

[a] Figures have been restated to conform to the current presentation.

16. For the biennium 2004-2005, the Programme's total income of $228.48 million exceeded total expenditure of $169.28 million before prior-period adjustments. The increase in income of $121.53 million (114 per cent) over income reported in the biennium 2002-2003 was due mainly to the increase in contributions from Governments and public donors by 159 per cent. Total expenditure increased by $74.51 million (79 per cent) compared with $94.78 million in the biennium 2002-2003.

17. Total assets increased by $89.92 million (140 per cent) from $64.11 million in 2003. The net increase is attributable to the increase in the investment in the cash pool by 91 per cent, from $54.61 million to $104.04 million. Investment in the cash pool comprises a significant portion, 68 per cent, of total assets. The increase in total liabilities of $30.84 million (87 per cent) from $35.29 million in 2003 to $66.13 million in 2005 was due mainly to the increase in unliquidated obligations by 131 per cent. Total liabilities comprise 90 per cent unliquidated obligations and 10 per cent accounts payable.

18. The Governing Council, in its decision 19/2 of 9 May 2003, approved an increase in the general-purpose statutory reserve for the Foundation from $1.0 million to its present level of $2.4 million for the biennium 2004-2005. The total reserves and fund balances increased by $59.08 million (205 per cent), from $28.81 million in 2003 to $87.89 million in 2005.

2. United Nations system accounting standards

19. The Board assessed the extent to which the financial statements of UN-Habitat for the biennium 2004-2005 conformed to the United Nations system accounting standards. The review indicated that the financial statements were consistent with the standards, except for (a) the accounting for pension funds and advances from others as deferred charges instead of expenditures (disbursements) and other accounts payable, respectively, which resulted in the overstatement of the unliquidated obligations account by $265,699 and the accounts payable account by $3,928; and (b) the non-recognition of the inventory of expendable items as "other assets" as required under paragraph 49 (iv) of the accounting standards.

20. The Board, in its review of the composition of the other assets account, noted that the deferred charges account included debit entries relating to the TIP, QXB and FOD funds in the total amount of $489,254, consisting of the field staff pension fund and medical insurance plan for 2005 amounting to $485,326 and advances from others amounting to $3,928, instead of a debit entry to the expenditure account (disbursements) and other accounts payable.

21. The Administration informed the Board that the deferred charges account had been debited for the following reasons:

(a) Pension reports were received late from UNDP and, to ensure timely reporting to the United Nations Joint Staff Pension Fund, charges were debited to the deferred charges account pending recording in the following period to the correct budget account classification;

(b) To accommodate review and clean-up of the Foundation accounts.

22. **The Board recommends that the Administration ensure that the Budget and Financial Management Service of the United Nations Office at Nairobi adjust the inappropriate entries to the deferred charges account.**

23. The Administration informed the Board that since the closure of the accounts, a total of $235,000 had been cleared.

3. Presentation and disclosure of financial statements

24. In its review of the financial report and statements for the biennium 2004-2005 of UN-Habitat, the Board noted that "other assets" under note 4 (b) disclosed the account balances of education grant advances, commitments against future years and other items. Because no physical inventory was conducted of expendable items, no amount was disclosed and recognized as "other assets" representing unused expendable items as at 31 December 2005, contrary to paragraph 49 (iv) of the United Nations system accounting standards.

25. **The Board recommends that the Administration conduct an inventory of expendable items as at the end of the biennium and account for as well as disclose them pursuant to paragraph 49 (iv) of the United Nations system accounting standards.**

4. Write-off of losses of cash, receivables and property

Receivables

26. The Administration reported to the Board the write-off of receivables for the biennium 2004-2005 for a total of $6,273.

27. The summary statement of losses was submitted for the QXB and HFU funds in the total amount of $6,273. The write-offs represented uncollectable receivables and were duly supported with requests and properly approved by the Chief, Division of Administrative Services, United Nations Office at Nairobi.

Property

28. For the biennium 2004-2005, the Administration informed the Board that there was a write-off of vehicles destroyed during the riots in Kosovo amounting to $116,619 and a laptop computer lost through theft amounting to $421.

29. The non-expendable property reported as disposed of included the cost of five vehicles amounting to $98,306, which had earlier been recommended by the Local Property Survey Board for repair and subsequently confirmed to be in operating condition.

30. The Administration subsequently confirmed that the vehicles had been repaired and were in operating condition. The necessary reclassification was reflected accordingly in the inventory report.

31. The Board noted, however, that in note 8 to the financial statements, the cost of the above-mentioned five vehicles was still disclosed as written-off.

32. In another case, a car costing $10,623 had been approved for sale by the Local Property Survey Board under case No. SS'04/0001. However, the Board noted that this case had not been disclosed in note 8 to the financial statements as "pending write-off: awaiting disposal".

33. **The Administration agreed with the Board's recommendation that it make necessary adjustments in note 8 to the financial statements in respect of those vehicles reported as disposed of but actually in operating condition and one piece of equipment pending write-off and awaiting disposal.**

5. Ex gratia payments

34. The Administration informed the Board that no ex gratia payments had been made during the biennium 2004-2005.

6. Programme management

35. For the biennium 2004-2005, UN-Habitat headquarters and its regional offices implemented 467 projects with a budget of $212.61 million, composed of 60 non-earmarked projects with a budget of $4.31 million and 407 earmarked projects with a budget of $208.30 million. Total expenditure for the biennium was $157.85 million, consisting of $3.71 million for non-earmarked projects and $154.14 million for earmarked projects. These projects were implemented by UN-Habitat and funded by multilateral, bilateral and other donors.

Project planning

36. UN-Habitat has embarked on a programme dubbed "Global Campaigns" to guarantee the right to housing, particularly for the poor and dispossessed. At the Regional Office for Latin America and the Caribbean, the action plan relative to this programme reflected the highlights and products as the expected accomplishments. The Board noted, however, that the expected accomplishments were not quantified so that actual performance against expectation could not be determined, as required under rule 105.4 of the Regulations and Rules Governing Programme Planning.

37. With the implementation of the Integrated Monitoring and Documentation Information System at the Regional Office for Latin America and the Caribbean, the Administration assured the Board that it could implement a standardized project performance evaluation tool.

38. **The Board recommends that the Administration quantify the expected accomplishments in order to assess performance of the Global Campaigns programme.**

Project reporting

39. UN-Habitat, through its regional offices in Fukuoka, Japan (Regional Office for Asia and the Pacific), and Nairobi (Regional Office for Africa and the Arab States), executed 15 tsunami-related projects amounting to $32.2 million. Donors and country recipients were as follows:

(United States dollars)

Donor	*Amount*
UNDP	22 932 234
Japan	3 000 000
Italy	1 878 560
Germany	1 533 780
UNICEF	1 353 642
China	500 000
BASF	500 000
New Zealand	341 440
Spain	134 710
Total	**32 174 366**

Recipient	*Amount*
Indonesia	20 327 306
Sri Lanka	7 989 704
Maldives	2 263 714

Recipient	*Amount*
Somalia	1 353 642
Thailand	240 000
Total	**32 174 366**

40. As at 31 December 2005, total expenditure for the 15 projects amounted to $9.4 million, detailed as follows:

(United States dollars)

Object of expenditure	*Amount*
Project personnel	2 409 477
Subcontracts	2 512 250
Training	35 334
Equipment	843 745
Miscellaneous	196 388
Microcapital grants	3 740 030
Total	**9 378 424**

41. In the verification of documents of three tsunami-related projects implemented by UN-Habitat, the Board noted that they were in accordance with the mandate of UN-Habitat to provide shelter to the affected inhabitants of a particular country. It was noted, however, that in the case of the project in north-eastern Somalia (Puntland), while the programmed activities had been accomplished, they had not been completed within the specified period as set out in the agreement. For example, agreements with the community and the construction of model units, which were scheduled for completion between July and September, were actually completed only in January 2006. In another instance, instead of a report covering the first 90-day period, ended 31 October 2005, a progress report covering the inception of the project to 22 January 2006 was prepared on 30 January for internal purposes only. From the progress report it was evident that there was a need to revise the budget owing to a higher cost for operational set-up, the need for site preparation and other factors. Had this information been reported on time, measures could have been taken to avert any further delay in the implementation of the project.

42. **The Board recommends that the Administration summarize the project status implementation reports, including achievements and constraints, in accordance with the agreement.**

43. The Administration informed the Board that the tsunami project in Somaliland was situated in a very remote region. In view of security problems, only two international staff had been deployed. The difficulty in logistics had resulted in some delays and increased costs, which the donor (the United Nations Children's Fund) was fully aware of. Revisions in the budget as well as progress reports taking

into account constraints in project implementation have been forwarded to the donor.

44. Section 6.1 of the UN-Habitat Manual for Project and Programme Cycle Management requires that in the final reporting of projects, the report format should correspond to the original project document for easy reference. At the Regional Office for Latin America and the Caribbean, although all the accomplishments under each objective were comprehensively listed in the final report of the projects, they were not organized according to the indicators of achievement and expected accomplishments set out in the workplan, which would have facilitated performance evaluation.

45. **The Board recommends that the Administration revise and improve the final report format such that the reported accomplishments match the groupings as presented in the project action plan for ease of evaluation.**

Project monitoring

46. At the Regional Office for Africa and the Arab States, the review of sample progress reports disclosed that activities undertaken were reported without reference to the time frame indicated in the respective workplan. The reasons for delays were mentioned, but slippages were not quantified and therefore were not captured in the report.

47. Information quantifying slippages would be a valuable input to decision makers and would guide them to take appropriate action to complete the project schedule. Furthermore, such input would provide added transparency to funding agencies and donors on the progress of the project in relation to the approved workplan.

48. The Administration informed the Board that the implementing and funding partners were aware of implementation delays and their impact on the projects. It assured the Board that progress, including delays in project implementation, were continuously discussed during the tripartite reviews. The Administration also informed the Board that progress and delays, if any, in the implementation of the projects were detailed in the substantive reports prepared for the individual donors.

49. **Pursuant to the Board's recommendation, the Administration agreed to ensure that activities reported in the progress reports make reference to the time frame indicated in the approved workplans and that any slippages are quantified and indicated in the report.**

Project evaluation

50. The operational activities or projects planned for 2004 were contained in an annual workplan in the framework of the biennial programme plan of UN-Habitat. Since many projects contributed to more than one goal, each project had been classified under one particular goal with a corresponding performance indicator by which its achievement would be measured. At the Regional Office for Asia and the Pacific, out of 23 ongoing projects in 2004, 5 did not have workplans, and performance indicators were not specified for 1 project. The absence of a project workplan makes it difficult for the Regional Office to assess whether its strategies had been effective in meeting its objectives, such as financial targets, time deadlines, post-implementation review and the submission of annual reports.

51. The Administration informed the Board that every effort was being made to integrate results-based budgeting in all projects. UN-Habitat was working on a six-year medium-term strategic and institutional plan to be presented to the Governing Council at its next session.

52. **The Board recommends that the Administration comply with the requirements of the biennial programme plan of UN-Habitat in the preparation of workplans and the provision of performance indicators to facilitate assessment of progress of projects against the target schedules and related expenditures.**

7. Fund management

Trust funds

53. UN-Habitat had implemented two "TDF" projects funded by the United Nations Capital Development Fund. The Board noted that those projects had been operationally completed as at 31 December 2004 and financially closed as at 31 December 2005. Records of UN-Habitat, however, showed an outstanding receivable of $848,256 from UNDP, which the Board observed that UN-Habitat, through the United Nations Office at Nairobi, did not bill UNDP.

54. Management informed the Board that "TDF" was an IMIS fund code for projects funded by the United Nations Capital Development Fund, which included two projects (C021 and D011).

55. The Board noted that those projects had been operationally completed as at 31 December 2004 and financially closed as at 31 December 2005, as shown in IMIS and Crystal reports.

56. The Board is concerned that the non-settlement of the TDF receivable from UNDP for more than five years could be the result of inadvertently excluding the account in UN-Habitat billings to UNDP.

57. **The Board recommends that the Administration coordinate with the United Nations Office at Nairobi to review the TDF receivable and promptly bill UNDP.**

Imprest fund account

58. The Regional Office for Asia and the Pacific maintained an imprest account for its regular expenditures at a level of $120,000 a month. Those expenditures were replenished by the United Nations Office at Nairobi where the financial accounting of the Regional Office was done. All transactions in the imprest account were processed through bank-to-bank transfers, which generated bank fees at a monthly average rate of $363, or approximately $4,356 a year.

59. The fees on those bank transfers, however, were reflected in the disbursement vouchers (in journal voucher format) as debits to the foreign exchange loss/gain account instead of the bank charge account. This resulted in the overstatement of the foreign exchange loss/gain account.

60. The Administration informed the Board that the bank charges had been lodged in another account in view of the absence of an account specifically for bank charges.

61. **The Administration agreed with the Board's recommendation that it take, in coordination with the United Nations Office at Nairobi, the necessary steps to ensure that all bank charges are correctly classified.**

8. Property management

Acquisitions

62. Various acquisitions of non-expendable property amounting to $2.4 million, consisting of $1.7 million purchased through obligating documents for the purchase of goods and $738,506 through other miscellaneous obligating documents, were included neither in the listing of acquisitions prepared by the Procurement, Travel and Shipping Section nor in the inventory report prepared by the outposted offices.

63. The Administration informed the Board that since the contracts and procurement system were not linked to outposted offices, it could not identify acquisitions done in the field offices. The United Nations Office at Nairobi, however, would decentralize property management to the appropriate "owners", who would be made responsible for maintaining updated records to link with the main inventory database held by the United Nations Office at Nairobi.

64. **The Board recommends that the Administration ensure that programme managers include and report all non-expendable property acquired by outposted offices in their inventory reports in the period in which it was acquired and coordinate with the Procurement, Travel and Shipping Section in conjunction with the Accounts Section of the Budget and Financial Management Service to keep track of the acquisitions of outposted offices.**

Inventory report

65. UN-Habitat, through the Procurement, Travel and Shipping Section, compiled a report in 2005 using a contractor that reflected non-expendable property in its market values for insurance purposes.

66. The Administration informed the Board that the inventory report prepared by the contractor would be utilized to update the existing records. The Board noted, however, that the report did not contain data such as the purchase date, purchase amount and, in some instances, serial numbers of computer equipment, which are essential for maintaining accurate information and establishing property accountability.

67. The Board also noted that there were items in the report that were owned by UNEP and the United Nations Office at Nairobi.

68. A random physical inspection of various property showed that most of the property was not found in the locations indicated in the inventory report. Although the Administration informed the Board that property such as furniture and equipment had been relocated in June 2005 as a result of the merging of two or three rooms, such relocation was not reflected in the inventory report.

69. The Board is concerned that the absence of purchase price, serial numbers and exact locations of property in the inventory report would hinder the conduct of a physical count and the determination of accountability in case of property loss.

70. At the Regional Office for Africa and the Arab States, the following was observed relative to the consolidated inventory reports of field offices:

(a) There were 169 items under the equipment category with no serial number;

(b) There were 34 items of the same category with zero value;

(c) They did not contain information such as dates when the property was purchased or acquired or the location where it was issued.

71. The Board is concerned that without this essential information, pinpointing accountability, facilitating the taking of inventory and providing fair valuation and adequate disclosure in the financial statements cannot be assured.

72. The Chief of the Purchasing Unit confirmed that the value of many items in the inventory report was not provided because of a lack of information in the purchase orders, which were the basis of data capture in the Crystal application system.

73. **The Administration agreed with the Board's recommendation to require the heads of project offices to submit complete inventory reports.**

Custody and control

74. At the Regional Office for Latin America and the Caribbean, 231 items of non-expendable equipment listed in the inventory report belonged to the municipality of Rio de Janeiro, Brazil. Those items were part of the agreement between the Regional Office and the municipality, but no formal transfer was made to the former. The inventory report also included 30 items of expendable property, 7 disposed of items and 3 personal items that belonged to the senior human settlements officer.

75. **The Administration agreed with the Board's recommendation that it: (a) exclude the items categorized as not owned by the Regional Office for Latin America and the Caribbean from the inventory report; and (b) prepare a separate list of all properties owned by the municipality of Rio de Janeiro and cause the formal transfer of said properties.**

76. The Administration informed the Board those recommendations had been implemented.

Personal property receipts

77. During the audit, the Board observed that 17 items of non-expendable property were not covered with personal property receipts.

78. The issuance of personal property receipts in sequential numbers to users of property is consonant with section 1.2 of administrative instruction ST/AI/2003/5 requiring each head of department or office to be responsible for maintaining and updating property inventory control records as well as monitoring property movements.

79. **The Administration agreed with the Board's recommendation that it cover with sequentially numbered personal property receipts all non-expendable property items issued.**

9. Human resources management

Contracts

80. At the Regional Office for Latin America and the Caribbean, there were no written contracts to support the payment of services by three individual contractors. The Administration explained that the service fees were minimal: the contractors were paid fees of $426, $683 and $1,422 respectively. It assured the Board, however, that it would coordinate with UN-Habitat headquarters in addressing the issue of small contracts.

81. Since the administrative instruction on the hiring of consultants/individual contractors (ST/AI/1999/7) does not grant exceptions irrespective of the amount involved, all agreements need to be in writing to protect the interests of the United Nations.

82. **The Administration agreed with the Board's recommendation that it execute contracts with individual contractors irrespective of the amount involved to ensure the faithful performance of the agreed work to be done.**

Performance evaluation

83. At the Regional Office for Asia and the Pacific, five consultants were evaluated as to their performance from one to six months after the expiration of their contracts. Two of the consultants had been paid in full an approximate total of $4,116 prior to such evaluation. The Administration noted the payments but explained that there had been an initial evaluation of the performance of one of them at the expiration of the contract.

84. Also the Regional Office for Asia and the Pacific, another three consultants had not been issued performance reports because no final outputs had been submitted as at the audit date. The Administration informed the Board that performance evaluations were done after the submission of the outputs, which had been delayed because of several factors, such as revisions made by the consultants to the original report.

85. Evaluation reports on the performance of consultants are used as reference for consideration of future consultancy contracts; hence, if they are not prepared on time, there is a risk that consultants with unsatisfactory performance will be rehired or that those with quality performance will not be immediately considered for rehiring. Either way, it is detrimental to the Administration.

86. **The Administration agreed with the Board's recommendation that it evaluate the performance of consultants in a timely manner and strictly ensure that final payments are not released until the final performance evaluation is issued, in accordance with administrative instruction ST/AI/1999/7.**

87. The Administration further explained that with the introduction of IMIS at the Regional Office for Asia and the Pacific, no payments to consultants can be effected in the absence of a performance evaluation.

Staff training

88. The approved budget revision "C" on the operation of the Regional Office for Asia and the Pacific had included an allocation in the amount of $1,500 for staff

training in 2004, but a corresponding training plan for that year had not been prepared. The Administration informed the Board that it had developed a staff training plan in 1999 and carried the plan until 2003, but the plan had not been updated in subsequent years. For the period from 1 January to 30 September 2004, only in-house training for new staff had been conducted. The Administration did not utilize the $1,500 budget allocation for training for 2004 but carried it over to 2005 for the development of a concrete training plan for support staff.

89. At the Regional Office for Latin America and the Caribbean, there was no formal training needs assessment, training plan or monitoring system in place for staff development. In addition, no formal assessment/evaluation of the impact of training on the staff and the Organization was conducted.

90. The Administration informed the Board that while the United Nations Office at Nairobi Division of Administrative Services manages human resources and defines resource requirements, including the training and development of staff, the management of the Regional Office for Latin America and the Caribbean is responsible for determining staff development needs, providing development opportunities and ensuring that staff members' needs with respect to upgrading substantive or technical skills are identified during staff performance evaluation discussions and included in the overall departmental training plan. Owing to resource constraints, however, there were regular training activities for nationally recruited staff only. Training for international staff was actively promoted, but it was provided in an ad hoc manner depending on the opportunities available. More structured assessments will be conducted in 2006.

91. The Administration also informed the Board that the Regional Office for Latin America and the Caribbean was in the process of preparing an evaluation of ongoing training activities in the Office, to be ready by the end of 2006. Through the UN-Habitat Programme Support Division and Regional and Technical Cooperation Division, the Regional Office for Latin America and the Caribbean will coordinate with the Division of Administrative Services for the inclusion of its training needs in the Division's overall programme. The Administration further informed the Board that at the Regional Office, staff training needs were assessed as part of its annual review and planning meetings.

92. **The Board recommends that the Administration: (a) formalize a training needs assessment with a view to developing an annual training plan; (b) document the evaluation of the impact of the training as the basis for future needs assessments; and (c) coordinate with the United Nations Office at Nairobi on the inclusion of the annual training plan of the Regional Office in the overall United Nations Office at Nairobi training plan.**

10. Information and communication technology

93. As at 31 December 2005, expenditures for seven funds exceeded allotments by $674,556.

94. The Board observed that 6 out of 51 technical cooperation projects had exceeded their allotments by a total of $862,289, with 1 project incurring an expenditure of $500,923 against a zero allotment.

95. Owing to the nature of these projects, which run for more than one year, unencumbered project allotments at the end of one year could be rephased to the

next year, provided the technical cooperation projects were still active in January of that year. However, the current functionality of IMIS automatically closes any unencumbered allotment at the end of the year. As a temporary solution, pending the receipt of the approved funding document or allotment, IMIS allows the creation of allotments with zero balances in the following year if related allotments existed in the preceding year. These allotments would be registered with negative balances in the project status report generated by IMIS if expenditures were charged against them.

96. In its previous report, the Board had raised this issue and had expressed the same concern that the above procedure could result in project expenditures being incurred without allotments and that that would present an inaccurate picture of the actual financial status of the project.

97. The Administration commented that neither UN-Habitat nor the United Nations Office at Nairobi had the authority or the capacity to make any system changes in IMIS. Any enhancement to IMIS would therefore be implemented at the United Nations Secretariat level.

98. **The Board recommends that the Administration, in conjunction with the United Nations Office at Nairobi, coordinate with the United Nations Secretariat in respect of the need for IMIS enhancement to prevent over-obligation or overexpenditure in technical cooperation projects and to reflect the actual financial status of projects in the IMIS-generated project status reports.**

11. Cases of fraud and presumptive fraud

99. The Administration reported to the Board two cases of fraud or presumptive fraud during the biennium 2004-2005.

100. A staff member falsified her supervisor's signature on numerous overtime authorization forms for overtime work not performed. Records revealed that the fraudulent practice involved a total amount of $4,202 for the overtime work the staff member had allegedly carried out from March 2003 to March 2005.

101. The staff member had also falsified the signature of the Human Resources Liaison Officer of UN-Habitat to obtain loans from the United Nations Cooperative Savings and Credit Society Limited.

102. UN-Habitat and the United Nations Office at Nairobi were in the process of recovering the amount from the final entitlements of the staff member. The Office of Legal Affairs at United Nations Headquarters has sent a charge letter to the staff member concerned.

C. Acknowledgement

103. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its auditors by the Executive Director, her officers and members of their staff.

(*Signed*) Guillermo N. **Carague**
Chairman, Commission on Audit, Republic of the Philippines
Chairman, United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Shauket A. **Fakie**
Auditor-General, Republic of South Africa

(*Signed*) Philippe **Séguin**
First President, Court of Accounts of France

28 July 2006

Note: The Philippine and South African members of the Board of Auditors have signed only the original English version of the report. The French Board member has signed both the English and French versions.

Annex

Summary of the status of implementation of recommendations for the biennium 2002-2003

Topic	*Biennium first reported*	*Implemented*[a]	*Under implementation*[a]	*Not implemented*	*Total*	*Reference to inclusion in current year report*
Unliquidated obligations	2002-2003	Para. 23			1	
Presentation and disclosure of financial statements						
Miscellaneous income	2002-2003	Para. 26			1	
Non-expendable property	2002-2003	Para. 26			1	
Programme management						
Financial completion of operationally closed projects	2000-2001	Para. 36			1	
Maintenance of complete and organized project folders	2000-2001		Para. 39		1	
Asset management						
Transfer of property records	2002-2003		Para. 44		1	See paras. 74, 75
Non-expendable property	2002-2003		Para. 52		1	See paras. 62-73
Human resources management						
Medical certificate requirement	2002-2003	Para. 56			1	
Performance evaluation	2002-2003	Para. 60			1	
Signing of contracts	2002-2003	Para. 63			1	
Staff training	2002-2003	Para. 65			1	
Travel	2002-2003	Para. 73			1	
Information and communication technology: implementation of IMIS	2002-2003		Para. 78		1	See paras. 93-98
Results-based budgeting	2002-2003	Para. 81			1	
Total						
Number		**10**	**4**	—	**14**	
Percentage		**71**	**29**	—	**100**	

[a] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5H* (A/59/5/Add.8), chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Human Settlements Programme, comprising statements numbered I to VII, schedules numbered 3.1, 5.1, 5.2, 7.1 and 7.2, and the supporting notes for the biennium ended 31 December 2005. The financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Human Settlements Programme as at 31 December 2005 and the results of its operations and its cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of the United Nations Human Settlements Programme that have come to our notice or which we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements of the United Nations Human Settlements Programme.

(*Signed*) Guillermo N. **Carague**
Chairman, Commission on Audit, Republic of the Philippines
Chairman, United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Shauket A. **Fakie**
Auditor-General, Republic of South Africa

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France

28 July 2006

Note: The Philippine and South African members of the Board of Auditors have signed only the original English version of the audit opinion. The French Board member has signed both the English and French versions.

Chapter IV
Certification of the financial statements

31 March 2006

The financial statements of the United Nations Human Settlements Programme for the biennium 2004-2005 ended 31 December 2005 have been prepared in accordance with financial rule 106.10 of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. The notes provide additional information for and clarifications of the financial activities undertaken by the Organization during the period covered by the statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Human Settlements Programme, including the associated trust funds and other related accounts numbered I to VII, are correct.

(*Signed*) Anna Kajumulo **Tibaijuka**
Executive Director
United Nations Human Settlements Programme

Chapter V
Financial statements for the biennium ended 31 December 2005

Statement I

United Nations Human Settlements Programme

All funds summary

Combined statement of income and expenditure and changes in reserves and fund balances for the biennium 2004-2005 ended 31 December 2005

(Thousands of United States dollars)

	Reference	*Foundation*[a]	*Technical cooperation*[b]	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Income						
Voluntary contributions	Schedules 5.2, 7.2	79 729	116 851	—	196 580	76 038
Other/miscellaneous income						
Funds received under inter-organizational arrangements	Notes 2 k (ii), s(iii)	—	24 992	—	24 992	27 602
Interest income		1 678	2 429	—	4 107	2 697
Income for services rendered		—	2 702	(69)	2 633	380
Other/miscellaneous		58	123	(11)	170	235
Total income		**81 465**	**147 097**	**(80)**	**228 482**	**106 952**
Expenditure						
Foundation activities	Schedule 5.1	61 770	—	(69)	61 701	45 010
Technical cooperation activities	Schedule 7.1	—	107 593	(11)	107 582	49 767
Total expenditure		**61 770**	**107 593**	**(80)**	**169 283**	**94 777**
Excess of income over expenditure		19 695	39 504	—	59 199	12 175
Prior-period adjustments		547	(337)	—	210	(769)
Net excess of income over expenditure		20 242	39 167	—	59 409	11 406
Savings on prior-period obligations	Note 2 (k) (viii)	441	262	—	703	322
Transfer (to)/from reserves		(1 620)	—	—	(1 620)	2 198
Transfer from other funds		—	—	—	—	156
Credits to Member States (donors)		(435)	(595)	—	(1 030)	(21)

Reference	*Foundation*[a]	*Technical cooperation*[b]	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Fund balances, beginning of period	18 118	7 633	—	25 751	11 690
Fund balances, end of period	36 746	46 467	—	83 213	25 751
Reserves, beginning of period	1 261	1 802	—	3 063	5 261
Transfers to/(from) reserves	1 620	—	—	1 620	(2 198)
Reserves, end of period	2 881	1 802	—	4 683	3 063
Total reserves and fund balances	**39 627**	**48 269**	**—**	**87 896**	**28 814**

[a] See statement IV.
[b] See statement VI.

United Nations Human Settlements Programme

All funds summary

Combined statement of assets, liabilities, reserves and fund balances as at 31 December 2005

(Thousands of United States dollars)

	Reference	*Foundation*[a]	*Technical cooperation*[a]	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Assets						
Cash and term deposits	Schedule 3.1	8 322	16 677	—	24 999	7 822
Cash pool	Schedule 3.1	43 942	60 098	—	104 040	54 614
Accounts receivable						
Voluntary contributions	Schedule 5.2	134	—	—	134	154
Inter-fund balances	Note 4 (d)	6 680	—	(6 680)	—	—
Other	Note 4 (a)	659	2 895	—	3 554	894
Balances relating to projects funded by donors	Note 7 (d)	—	18 050	—	18 050	—
Other assets	Note 4 (b)	150	3 101	—	3 251	622
Total assets		**59 887**	**100 821**	**(6 680)**	**154 028**	**64 106**
Liabilities						
Payments or contributions received in advance		26	—	—	26	10
Unliquidated obligations		17 396	42 089	—	59 485	25 707
Accounts payable						
Inter-fund balances	Note 4 (d)	—	8 501	(6 680)	1 821	422
Other	Note 4 (c)	2 838	1 962	—	4 800	3 850
Balances relating to projects funded by donors	Note 7 (d)	—	—	—	—	4 618
Other liabilities		—	—	—	—	685
Total liabilities		**20 260**	**52 552**	**(6 680)**	**66 132**	**35 292**
Reserves and fund balances						
Financial reserves	Note 2 (o)	2 419	—	—	2 419	1 003
Operational reserves	Note 2 (p)	462	1 802	—	2 264	2 060

	Reference	Foundation[a]	Technical cooperation[b]	All funds eliminations	Combined 2005	Combined 2003
Earmarked fund balance	Note 2 (q)	22 289	41 255	—	63 544	14 256
Cumulative surplus	Note 3	14 457	5 212	—	19 669	11 495
Total reserves and fund balances		**39 627**	**48 269**	—	**87 896**	**28 814**
Total liabilities, reserves and fund balances		**59 887**	**100 821**	**(6 680)**	**154 028**	**64 106**

[a] See statement V.
[b] See statement VII.

United Nations Human Settlements Programme

All funds summary

Combined statement of cash flows as at 31 December 2005

(Thousands of United States dollars)

	Foundation	*Technical cooperation*	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Cash flow from operating activities					
Net excess (shortfall) of income over expenditure	19 695	39 504	—	59 199	12 175
(Increase) decrease in					
Contributions receivable	20	—	—	20	444
Other accounts receivable	26	(2 686)	—	(2 660)	210
Other assets	348	(2 977)	—	(2 629)	(388)
Inter-fund balances receivable	(11 623)	2 526	—	(9 097)	761
Increase (decrease) in					
Contributions or payments received in advance	16	—	—	16	—
Unliquidated obligations	5 569	28 209	—	33 778	7 406
Accounts payable	1 084	(134)	—	950	714
Other liabilities	(34)	(651)	—	(685)	(22)
Inter-fund balances payable	1 996	8 501	—	10 497	—
Balances relating to projects funded by donors		(22 668)	—	(22 668)	24 750
Less: Interest income	(1 678)	(2 429)	—	(4 107)	(2 697)
Net cash flow from operating activities	**15 419**	**47 195**	—	**62 614**	**43 353**
Cash flow from investing activities					
(Increase) decrease in cash pools	(10 606)	(38 820)	—	(49 426)	(43 343)
Plus: Interest income	1 678	2 429	—	4 107	2 697
Net cash flow from investing activities	**(8 928)**	**(36 391)**	—	**(45 319)**	**(40 646)**
Cash flow from financing activities					
Savings on or cancellation of prior-period obligations	441	262	—	703	324
Transfer from other funds	—	—	—	—	156

	Foundation	*Technical cooperation*	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Credits to Member States	(435)	(595)	—	(1 030)	(21)
Other adjustments to reserves and fund balances	547	(337)	—	210	(770)
Net cash flows from financing activities	**553**	**(670)**	—	**(117)**	**(311)**
Net increase (decrease) in cash and term deposits	7 043	10 134	—	17 177	2 396
Cash and term deposits, beginning of period	1 279	6 543	—	7 822	5 426
Cash and term deposits, end of period	8 322	16 677	—	24 999	7 822

Schedule 3.1

United Nations Human Settlements Programme

Convertible and non-convertible cash and term deposits and cash pool as at 31 December 2005

(Thousands of United States dollars)

	Reference	*Cash and term deposits*	*United Nations cash pool*
Foundation activities			
United States dollars[a,b]		8 160	43 942
Indian rupees		162[c]	—
Total	**Statement V**	**8 322**	**43 942**
Represented by			
Cash and term deposits		8 322	28 604
Short-term investments at lower of cost or market value		—	15 200
Accrued interest receivable		—	138
Total		**8 322**	**43 942**
Technical cooperation activities			
United States dollars[a,b]	Statement VII	16 677	60 098
Represented by			
Cash and term deposits		16 677	39 121
Short-term investments at lower of cost or market value		—	20 789
Accrued interest receivable		—	188
Total		**16 677**	**60 098**
Total foundation and technical cooperation activities	**Statement II**	**24 999**	**104 040**

[a] All investments system-wide are placed in joint investment pools for all offices away from Headquarters. The Treasury at United Nations Headquarters is solely responsible for the investment policy and participating offices are only responsible for their own cash flow/liquidity planning. The Treasury invests in different securities, with varying due dates and interest rates. Hence, it is not practical to indicate due dates and interest rates against the investment pools.

[b] When the market value of the short-term investments is lower than cost, the book value is adjusted accordingly. There were no long-term investments reported at the end of the period.

[c] Equivalent to $7,334,901 at the rate of $1.00:45.25 rupees.

United Nations Human Settlements Programme

Foundation activities

Combined statement of income and expenditure and changes in reserves and fund balances for the biennium 2004-2005 ended 31 December 2005

(Thousands of United States dollars)

	Reference	*Human Settlements Foundation*	*Water and sanitation trust fund*	*Palestinian trust fund*	*Programme support costs*	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Income								
Voluntary contributions	Schedule 5.2	56 280	22 735	714	—	—	79 729	52 088
Other/miscellaneous income								
Interest income		1 511	110	—	57	—	1 678	1 766
Income for services rendered		—	—	—	4 577	(4 577)	—	—
Other/miscellaneous		58	—	—	—	—	58	229
Total income		**57 849**	**22 845**	**714**	**4 634**	**(4 577)**	**81 465**	**54 083**
Expenditure	Schedule 5.1							
Programme activities		13 155	—	—	—	—	13 155	9 336
Project activities: Non-earmarked		3 709	—	—	—	—	3 709	4 713
Earmarked		32 865	—	—	—	(2 918)	29 947	29 634
Water and sanitation trust fund		—	13 946	—	—	(1 604)	12 342	—
Palestinian trust fund		—	—	480	—	(55)	425	7
Programme support costs		—	—	—	2 192	—	2 192	1 395
Total expenditure		**49 729**	**13 946**	**480**	**2 192**	**(4 577)**	**61 770**	**45 085**
Excess of income over expenditure		8 120	8 899	234	2 442	—	19 695	8 998
Prior-period adjustments		(1 736)	2 306	—	(23)	—	547	552
Net excess of income over expenditure		6 384	11 205	234	2 419	—	20 242	9 550
Savings on prior-period obligations	Note 2 (k) (viii)	402	—	—	39	—	441	167
Transfers to reserves		(1 416)	--	—	(204)	—	(1 620)	—
Transfers from other funds		2 254	—	—	(2 254)	—	—	156

	Reference	*Human Settlements Foundation*	*Water and sanitation trust fund*	*Palestinian trust fund*	*Programme support costs*	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Credits to Member States (donors)		(435)	—	—	—	—	(435)	(21)
Fund balances, beginning of period		17 625	—	493	—	—	18 118	8 266
Fund balances, end of period		**24 814**	**11 205**	**727**	**—**	**—**	**36 746**	**18 118**
Reserves, beginning of period		1 003	—	—	258	—	1 261	1 261
Transfers to reserves		1 416	—	—	204	—	1 620	—
Reserves, end of period		**2 419**	**—**	**—**	**462**	**—**	**2 881**	**1 261**
Total reserves and fund balances		**27 233**	**11 205**	**727**	**462**	**—**	**39 627**	**19 379**

United Nations Human Settlements Programme

Foundation activities

Combined statement of assets, liabilities, reserves and fund balances as at 31 December 2005

(Thousands of United States dollars)

	Reference	*Human Settlements Foundation*	*Water and sanitation trust fund*	*Palestinian trust fund*	*Foundation programme support costs*	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Assets								
Cash and term deposits	Schedule 3.1	8 321	1	—	—	—	8 322	1 279
Cash pool	Schedule 3.1	35 982	5 667	—	2 293	—	43 942	33 336
Accounts receivable								
Voluntary contributions	Schedule 5.2	134	—	—	—	—	134	154
Inter-fund balances		—	10 794	830	—	(4 944)	6 680	—
Other	Note 4 (a)	645	9	3	2	—	659	685
Other assets	Note 4 (b)	150	—	—	—	—	150	498
Total assets		**45 232**	**16 471**	**833**	**2 295**	**(4 944)**	**59 887**	**35 952**
Liabilities								
Payments or contributions received in advance	Schedule 5.2	26	—	—	—	—	26	10
Unliquidated obligations								
Prior periods		179	—	—	—	—	179	566
Current period		11 898	5 157	106	38	—	17 199	11 220
Future periods		18	—	—	—	—	18	41
Accounts payable								
Inter-fund balances		3 149	—	—	1 795	(4 944)	—	2 948
Other	Note 4 (c)	2 729	109	—	—	—	2 838	1 754
Other liabilities		—	—	—	—	—	—	34
Total liabilities		**17 999**	**5 266**	**106**	**1 833**	**(4 944)**	**20 260**	**16 573**
Reserves and fund balances								
Financial reserve	Note 2 (o)	2 419	—	—	—	—	2 419	1 003

	Reference	*Human Settlements Foundation*	*Water and sanitation trust fund*	*Palestinian trust fund*	*Foundation programme support costs*	*All funds eliminations*	*Combined 2005*	*Combined 2003*
Operating reserves	Note 2 (p)	—	—	—	462	—	462	258
Earmarked fund balance	Note 2 (q)	10 357	11 205	727	—	—	22 289	9 684
Cumulative surplus	Note 3	14 457	—	—	—	—	14 457	8 434
Total reserves and fund balances		**27 233**	**11 205**	**727**	**462**	**—**	**39 627**	**19 379**
Total liabilities, reserves and fund balances		**45 232**	**16 471**	**833**	**2 295**	**(4 944)**	**59 887**	**35 952**

Schedule 5.1

United Nations Human Settlements Programme

Foundation activities

Status of allocations for the biennium 2004-2005 ended 31 December 2005

(Thousands of United States dollars)

	Allocation	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
Programme activities					
Staff and other personnel costs	11 550	10 550	97	10 647	903
Contractual services	249	151	12	163	86
Travel	391	291	45	336	55
Operating expenses	2 074	1 544	92	1 636	438
Acquisitions	205	126	61	187	18
Fellowships, grants and contributions	318	170	16	186	132
Subtotal	**14 787**	**12 832**	**323**	**13 155**	**1 632**
Non-earmarked projects					
Staff and other personnel costs	1 559	359	1 049	1 408	151
Contractual services	752	650	32	682	70
Travel	672	522	110	632	40
Operating expenses	862	460	158	618	244
Acquisitions	436	277	59	336	100
Fellowships, grants and contributions	33	33	—	33	—
Subtotal	**4 314**	**2 301**	**1 408**	**3 709**	**605**
Earmarked projects					
Staff and other personnel costs	11 549	8 290	2 836	11 126	423
Contractual services	8 603	3 411	3 579	6 990	1 613
Travel	2 648	2 065	335	2 400	248
Operating expenses	7 895	1 965	2 744	4 709	3 186
Acquisitions	613	210	213	423	190
Fellowships, grants and contributions	4 462	3 839	460	4 299	163
Programme support costs	4 650	2 918	—	2 918	1 732
Subtotal	**40 420**	**22 698**	**10 167**	**32 865**	**7 555**
Water and sanitation trust fund					
Staff and other personnel costs	4 104	2 820	1 234	4 054	50
Contractual services	4 048	974	2 839	3 813	235
Travel	840	654	182	836	4
Operating expenses	3 475	2 556	804	3 360	115

	Allocation	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
Acquisitions	287	181	98	279	8
Programme support costs	1 658	1 604	—	1 604	54
Subtotal	**14 412**	**8 789**	**5 157**	**13 946**	**466**
Palestinian trust fund					
Staff and other personnel costs	400	229	24	253	147
Contractual services	105	34	40	74	31
Travel	90	51	26	77	13
Operating expenses	68	5	16	21	47
Acquisitions	5	—	—	—	5
Programme support costs	87	55	—	55	32
Subtotal	**755**	**374**	**106**	**480**	**275**
Programme support costs					
Staff and other personnel costs	2 198	1 790	22	1 812	386
Contractual services	73	14	—	14	59
Travel	36	28	4	32	4
Operating expenses	336	306	—	306	30
Acquisitions	32	16	12	28	4
Subtotal	**2 675**	**2 154**	**38**	**2 192**	**483**
Total	**77 363**	**49 148**	**17 199**	**66 347**	**11 016**
Eliminations					
Total expenditures				66 347	
Less: Programme support costs				(4 577)	
Net total expenditures				**61 770**	

Schedule 5.2

United Nations Human Settlements Programme

Foundation activities

Combined status of contributions and unpaid pledges as at 31 December 2005

(United States dollars)

Countries/organizations	*Unpaid pledges as at 1 January 2004*	*Adjustments to prior-year pledges and receipts*	*Collections of prior pledges*	*Pledges for 2004-2005*	*Collections for future years*	*Collections of 2004-2005 pledges*	*Unpaid pledges for 2004-2005 and prior years*
Non-earmarked contributions							
Algeria	—	—	—	20 000	10 000	20 000	—
Argentina	—	—	—	3 000	—	3 000	—
Austria	—	—	—	171 075	—	171 075	—
Barbados	—	—	—	3 000	—	3 000	—
Bhutan	1 200	—	—	—	—	—	1 200
Botswana	—	—	—	32 820	—	32 820	—
Brazil	—	—	—	50 472	—	50 472	—
Canada	—	—	—	62 672	—	62 672	—
Chile	1 000	—	—	15 000	—	15 000	1 000
Colombia	12 000	—	12 000	24 000	—	16 778	7 222
Cyprus	—	—	—	7 210	—	7 210	—
Czech Republic	—	—	—	236 859	—	236 859	—
Egypt	10 578	—	5 872	—	—	—	4 706
Ethiopia	—	—	—	14 771	—	14 771	—
Fiji	—	—	—	6 941	—	6 941	—
Finland	—	—	—	1 116 809	—	1 116 809	—
France	—	—	—	325 247	—	325 247	—
Germany	—	—	—	1 015 460	—	1 015 460	—
Ghana	—	—	—	10 000	—	10 000	—
Greece	—	—	—	60 000	—	30 000	30 000
India	—	—	—	160 001	—	160 001	—
Indonesia	—	20 000	20 000	10 000	—	10 000	—
Israel	—	—	—	20 000	10 000	20 000	—
Italy	—	—	—	1 391 115	—	1 391 115	—
Japan	—	—	—	417 300	—	417 300	—
Kenya	13 129	—	13 129	100 000	—	83 996	16 004
Madagascar	15 980	—	—	—	—	—	15 980
Morocco	11 000	—	3 000	—	—	—	8 000
Namibia	—	—	—	1 000	—	1 000	—
Netherlands	—	—	—	2 801 260	—	2 801 260	—

Countries/organizations	*Unpaid pledges as at 1 January 2004*	*Adjustments to prior-year pledges and receipts*	*Collections of prior pledges*	*Pledges for 2004-2005*	*Collections for future years*	*Collections of 2004-2005 pledges*	*Unpaid pledges for 2004-2005 and prior years*
Norway	—	—	—	4 676 981	—	4 676 981	—
Pakistan	—	—	—	12 008	5 998	12 008	—
Philippines	—	—	—	3 072	—	3 072	—
Poland	—	—	—	20 000	—	20 000	—
Republic of Korea	—	—	—	20 000	—	20 000	—
Romania	—	6 000	6 000	2 000	—	2 000	—
Sri Lanka	—	—	—	30 000	—	30 000	—
Sweden	—	—	—	3 114 153	—	3 114 153	—
South Africa	—	—	—	9 975	—	9 975	—
Trinidad and Tobago	—	—	—	2 000	—	2 000	—
Tunisia	697	—	—	1 655	—	1 655	697
Turkey	—	—	—	40 000	—	40 000	—
Uganda	—	—	—	1 941	—	1 941	—
United Kingdom of Great Britain and Northern Ireland	—	—	—	3 735 000	—	3 735 000	—
United Republic of Tanzania	—	—	—	8 724	—	3 587	5 137
United States of America	—	—	—	1 244 574	—	1 244 574	—
Venezuela (Bolivarian Republic of)	86 390	43 195	129 585	43 195	—	—	43 195
Yemen	1 725	(1 150)	—	—	—	—	575
Total non-earmarked contributions	**153 699**	**68 045**	**189 586**	**21 041 290**	**25 998**	**20 939 732**	**133 716**
Earmarked contributions							
Governments							
Austria	—	—	—	12 100	—	12 100	—
Belgium	—	—	—	2 712 638	—	2 712 638	—
Canada	—	—	—	625 021	—	625 021	—
China	—	—	—	184 918	—	184 918	—
Colombia	—	—	—	2 176	—	2 176	—
European Union	—	—	—	135 907	—	135 907	—
Finland	—	—	—	925 641	—	925 641	—
France	—	—	—	305 634	—	305 634	—
Germany	—	—	—	973 689	—	973 689	—
Italy	—	—	—	2 647 524	—	2 647 524	—
Japan	—	—	—	3 883 730	—	3 883 730	—
Jordan	—	—	—	64 104	—	64 104	—
Netherlands	—	—	—	6 248 487	—	6 248 487	—
Norway	—	—	—	322 984	—	322 984	—
Poland	—	—	—	400 000	—	400 000	—
Russian Federation	—	—	—	399 974	—	399 974	—

Countries/organizations	*Unpaid pledges as at 1 January 2004*	*Adjustments to prior-year pledges and receipts*	*Collections of prior pledges*	*Pledges for 2004-2005*	*Collections for future years*	*Collections of 2004-2005 pledges*	*Unpaid pledges for 2004-2005 and prior years*
Rwanda	—	—	—	5 000	—	5 000	—
Spain	—	—	—	260 311	—	260 311	—
Sri Lanka	—	—	—	53 559	—	53 559	—
Sweden	—	—	—	3 362 921	—	3 362 921	—
Switzerland	—	—	—	304 231	—	304 231	—
Thailand	—	—	—	10 000	—	10 000	—
Trinidad and Tobago	—	—	—	1 500	—	1 500	—
United Kingdom of Great Britain and Northern Ireland	—	—	—	2 338 025	—	2 338 025	—
United States of America	—	—	—	470 683	—	470 683	—
Total Governments	—	—	—	**26 650 757**	—	**26 650 757**	—
Public donors							
APD-RIO	—	—	—	10 340	—	10 340	—
Anti-Crisis Management Foundation	—	—	—	10 000	—	10 000	—
City of Vienna	—	—	—	10 000	—	10 000	—
CORDAID	—	—	—	17 276	—	17 276	—
Dubai Municipality (DXB-MUN-G-EXP)	—	—	—	334 901	—	334 901	—
First-Microfinance	—	—	—	37 422	—	37 422	—
Ford Foundation	—	—	—	248 000	—	248 000	—
Forum Universal de las Culturas	—	—	—	273 399	—	273 399	—
Fukuoka International Exchange Foundation	—	—	—	1 602 549	—	1 602 549	—
World Bank/International Finance Corporation	—	—	—	1 860 862	—	1 860 862	—
ITC Moscomarchitecture	—	—	—	12 000	—	12 000	—
Harvard University, Office for Sponsored Research	—	—	—	10 193	—	10 193	—
International Development Research Centre	—	—	—	81 760	—	81 760	—
Japan Habitat Association	—	—	—	418 832	—	418 832	—
Local Development Strategies	—	—	—	22 095	—	22 095	—
LVC International Investments Inc	—	—	—	9 980	—	9 980	—
Municipality of Kazan	—	—	—	40 000	—	40 000	—
Municipality of Malaga (Ayuntamiento de Malaga)	—	—	—	33 605	—	33 605	—
Municipality of Nevsehir	—	—	—	99 890	—	99 890	—
Prefeitura da Cidade do Rio de Janeiro	—	—	—	425 135	—	425 135	—
SEDU/PR	—	—	—	20 950	—	20 950	—
Soroptimist International of Kagoshima	—	—	—	4 482	—	4 482	—
Seville City Council	—	—	—	94 871	—	94 871	—

Countries/organizations	*Unpaid pledges as at 1 January 2004*	*Adjustments to prior-year pledges and receipts*	*Collections of prior pledges*	*Pledges for 2004-2005*	*Collections for future years*	*Collections of 2004-2005 pledges*	*Unpaid pledges for 2004-2005 and prior years*
United Nations Environment Programme	—	—	—	618 994	—	618 994	—
United Nations general trust fund	—	—	—	2 290 530	—	2 290 530	—
Total public donors	—	—	—	**8 588 066**	—	**8 588 066**	—
Total earmarked contributions	—	—	—	**35 238 823**	—	**35 238 823**	—
Total Human Settlements Foundation	**153 699**	**68 045**	**189 586**	**56 280 113**	**25 998**	**56 178 555**	**133 716**
Water and sanitation trust fund							
Canada	—	—	—	2 995 110	—	2 995 110	—
Netherlands	—	—	—	10 170 000	—	10 170 000	—
Norway	—	—	—	8 586 817	—	8 586 817	—
Sweden	—	—	—	983 079	—	983 079	—
Total water and sanitation trust fund	—	—	—	**22 735 006**	—	**22 735 006**	—
Palestinian trust fund							
Al Maktoum Foundation	—	—	—	199 985	—	199 985	—
China	—	—	—	49 980	—	49 980	—
Oman	—	—	—	100 000	—	100 000	—
Sudan	—	—	—	67 380	—	67 380	—
Sweden	—	—	—	296 582	—	296 582	—
Total Palestinian trust fund	—	—	—	**713 927**	—	**713 927**	—
Total Foundation activities	**153 699**	**68 045**	**189 586**	**79 729 046**	**25 998**	**79 627 488**	**133 716**
Ageing of contributions receivables							
Within one year							88 864
One year and over							44 852
Total							**133 716**

United Nations Human Settlements Programme

Technical cooperation activities

Statement of income and expenditure and changes in reserves and fund balances for the biennium 2004-2005 ended 31 December 2005

(Thousands of United States dollars)

	Reference	*Trust fund*	*UNDP*	*Programme support costs*	*All funds eliminations*	*Total 2005*	*Total 2003*
Income							
Voluntary contributions	Schedule 7.2	115 776	1 075	—	—	116 851	23 950
Other/miscellaneous income							
Funds received under inter-organizational arrangements	Note 2 k (ii), s (iii)	—	24 992	—	—	24 992	27 602
Interest income		2 183	—	246	—	2 429	931
Income for services rendered		—	—	10 298	(7 596)	2 702	380
Other/miscellaneous		104	—	84	(65)	123	81
Total income		**118 063**	**26 067**	**10 628**	**(7 661)**	**147 097**	**52 944**
Expenditure	Schedule 7.1						
Trust fund		80 856	—	—	(5 233)	75 623	18 521
UNDP		—	25 997	—	(2 428)	23 569	25 852
Programme support costs		—	—	8 401	—	8 401	5 394
Total expenditure		**80 856**	**25 997**	**8 401**	**(7 661)**	**107 593**	**49 767**
Excess of income over expenditure		37 207	70	2 227	—	39 504	3 177
Prior-period adjustments		70	(70)	(337)	—	(337)	(1 321)
Net excess of income over expenditure		37 277	—	1 890	—	39 167	1 856
Savings on prior-period obligations	Note 2 (k) (viii)	1	—	261	—	262	155
Transfers from reserves		—	—	—	—	—	2 198
Credits to Member States (donors)		(595)	—	—	—	(595)	—
Fund balances, beginning of period		4 572	—	3 061	—	7 633	3 424
Fund balances, end of period		**41 255**	**—**	**5 212**	**—**	**46 467**	**7 633**

	Reference	[illegible] fund	UNDP	Programme support costs	All funds eliminations	Total 2005	Total 2003
Reserves, beginning of period		—	—	1 802	—	1 802	4 000
Transfers from reserves		—	—	—	—	—	(2 198)
Reserves, end of period		—	—	**1 802**	—	**1 802**	**1 802**
Total reserves and fund balance		**41 255**	—	**7 014**	—	**48 269**	**9 435**

United Nations Human Settlements Programme

Technical cooperation activities

Statement of assets, liabilities, reserves and fund balances as at 31 December 2005

(Thousands of United States dollars)

	Reference	*Trust fund*	*UNDP*	*Programme support costs*	*All funds eliminations*	*Total 2005*	*Total 2003*
Assets							
Cash and term deposits	Schedule 3.1	16 674	3	—	—	16 677	6 543
Cash pool	Schedule 3.1	59 395	—	703	—	60 098	21 278
Accounts receivable							—
Inter-fund balances		—	—	6 279	(6 279)	—	2 526
Other	Note 4 (a)	2 464	303	128	—	2 895	209
Balances relating to projects funded by donors	Note 7 (d)	—	18 050	—	—	18 050	—
Other assets	Note 4 (b)	34	2 996	71	–	3 101	124
Total assets		**78 567**	**21 352**	**7 181**	**(6 279)**	**100 821**	**30 680**
Liabilities							
Unliquidated obligations							
Prior periods		—	153	—	—	153	35
Current period		27 031	12 037	96	—	39 164	13 845
Future periods		—	2 772	—	—	2 772	—
Accounts payable							
Inter-fund balances		8 704	6 076	—	(6 279)	8 501	—
Other	Note 4 (c)	1 577	314	71	—	1 962	2 096
Balances relating to projects funded by donors		—	—	—	—	—	4 618
Other liabilities		—	—	—	—	—	651
Total liabilities		**37 312**	**21 352**	**167**	**(6 279)**	**52 552**	**21 245**
Reserves and fund balances							
Operational reserve	Note 2 (p)	—	—	1 802	—	1 802	1 802

	Reference	*Trust fund*	*UNDP*	*Programme support costs*	*All funds eliminations*	*Total 2005*	*Total 2003*
Earmarked fund balance	Note 2 (q)	41 255	—	—	—	41 255	4 572
Cumulative surplus	Note 3	—	—	5 212	—	5 212	3 061
Total reserves and fund balances		**41 255**	**—**	**7 014**	**—**	**48 269**	**9 435**
Total liabilities, reserves and fund balances		**78 567**	**21 352**	**7 181**	**(6 279)**	**100 821**	**30 680**

Schedule 7.1

United Nations Human Settlements Programme

Technical cooperation activities

Status of allocations for the biennium 2004-2005 ended 31 December 2005

(Thousands of United States dollars)

	Allocation	*Disbursements*	*Unliquidated obligations*	*Total expenditure*	*Unencumbered balance*
Trust fund					
Staff and other personnel costs	23 878	16 200	3 830	20 030	3 848
Contractual services	63 789	20 333	19 999	40 332	23 457
Travel	2 636	1 592	423	2 015	621
Operating expenses	13 901	6 906	1 612	8 518	5 383
Acquisitions	4 188	2 005	535	2 540	1 648
Fellowships, grants and contributions	2 749	1 828	632	2 460	289
Programme support costs	7 265	4 961	—	4 961	2 304
Subtotal	**118 406**	**53 825**	**27 031**	**80 856**	**37 550**
UNDP					
Staff and other personnel costs	7 918	4 654	2 134	6 788	1 130
Contractual services	12 413	1 752	6 141	7 893	4 520
Travel	1 318	478	251	729	589
Operating expenses	1 271	254	388	642	629
Acquisitions	1 112	563	388	951	161
Fellowships, grants and contributions	7 278	3 988	2 735	6 723	555
Programme support costs	2 997	2 271	—	2 271	726
Subtotal	**34 307**	**13 960**	**12 037**	**25 997**	**8 310**
Programme support costs					
Staff and other personnel costs	6 328	6 205	59	6 264	64
Contractual services	705	704	—	704	1
Travel	120	66	13	79	41
Operating expenses	1 763	1 284	8	1 292	471
Acquisitions	90	46	16	62	28
Subtotal	**9 006**	**8 305**	**96**	**8 401**	**605**
Total	**161 719**	**76 090**	**39 164**	**115 254**	**46 465**
Eliminations					
Total expenditures				115 254	
Less: Programme support costs				(7 661)	
Net total expenditures				**107 593**	

Schedule 7.2

United Nations Human Settlements Programme

Technical cooperation activities

Combined status of contributions as at 31 December 2005

(United States dollars)

Countries/Organizations	*Contributions in 2004-2005*
Governments	
China	500 000
European Union	7 040 108
Italy	16 455 049
Japan	10 703 417
Libyan Arab Jamahiriya	1 903 797
Mexico	44 141
Netherlands	2 358 476
New Zealand	375 585
Nigeria	200 000
Sweden	1 203 109
United Kingdom of Great Britain and Northern Ireland	23 505
United States of America	1 000 000
Total Government contributions	**41 807 187**
Public Donors	
Anti-Crisis Management Foundation	18 074
BASF AG	235 745
City of Munich	830 260
City of Vitoria	134 710
Council of Europe Development Bank	83 927
Educational Development Center	832 672
World Bank/International Finance Corporation	7 651 535
United Nations Development Group, Iraq Trust Fund	49 375 192
United Nations Development Programme	10 562 562
United Nations Afghanistan Emergency Trust Fund	2 137 118
United Nations Environment Programme	50 000
Office of the United Nations High Commissioner for Refugees	1 724 728
United Nations Office of the Humanitarian Coordinator in Iraq	331 870
Total public contributions	**73 968 393**
Total trust fund contributions	**115 775 580**
UNDP-funded projects	**1 075 467**
Total contributions	**116 851 047**

Notes to the financial statements

Note 1
United Nations Human Settlements Programme and its objectives

(a) On 16 December 1974, the General Assembly adopted resolution 3327 (XXIX), by which it created the United Nations Habitat and Human Settlements Foundation.

(b) On 19 December 1977, the General Assembly adopted resolution 32/162, by which it established a secretariat (the United Nations Centre for Human Settlements (Habitat)) and a Commission on Human Settlements.

(c) On 21 December 2001, the General Assembly adopted resolution 56/206, by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, into the United Nations Human Settlements Programme and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme should be responsible for the management of the United Nations Habitat and Human Settlements Foundation.

(d) The main objectives of the Programme are:

(i) To assist countries and regions in increasing and improving their own efforts to solve human settlements problems;

(ii) To promote greater international cooperation in order to increase the availability of resources of developing countries and regions;

(iii) To promote the integral concept of human settlements and a comprehensive approach to human settlements problems in all countries;

(iv) To strengthen cooperation and co-participation in this domain among all regions;

(v) To ensure the harmonization of human settlements programmes planned and carried out by the United Nations system and to coordinate human settlements activities in the United Nations system, keep them under review and assess their effectiveness at the inter-secretariat level;

(vi) To supplement the resources of the regions in formulating and implementing human settlements projects when required;

(vii) To serve as a focal point for the global exchange of information about human settlements and to initiate public information activities on human settlements in cooperation with the Department of Public Information of the Secretariat;

(viii) To promote collaboration with and involvement of the world scientific community concerned with human settlements.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations Human Settlements Programme are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller, including the special annex of the financial rules of the United Nations Human Settlements Programme and specific decisions of the Governing Council. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative Committee on Coordination, which has been replaced by the United Nations System Chief Executives Board for Coordination (CEB). The Organization follows International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by CEB as set out below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Organization is a biennium consisting of two consecutive calendar years for all funds.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For voluntary contribution income, the policy in paragraph (k) (i) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction, at rates of exchange established by the United Nations

In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statement. In the event that the application of actual exchange rates at the date of the statement would provide a valuation materially different from the application of the Organization's rate of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flow as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are prepared in accordance with the ongoing recommendations of the Working Party on Accounting Standards of CEB.

(i) The results of the Organization's operations presented in statements I, II and III are shown at a summary level by general type of activity as well as on a combined basis for funds other than those that are reported on separately after the elimination of all inter-fund balances and instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) Under General Assembly resolution 32/162 of 19 December 1977, the regular budget of the United Nations meets part of the costs of the secretariat of the United Nations Human Settlements Programme. Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. They are not considered further in this report.

(k) Income:

(i) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(iii) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(iv) Income for services rendered includes reimbursements for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(v) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All

realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to the participating funds;

(vi) Miscellaneous income includes the sale of used or surplus property, refunds of expenditures charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified and other sundry income;

(vii) Income relating to future financial periods is not recognized in the current financial period and is recorded as payments or contributions received in advance, as referred to in item (n) (iii);

(viii) Savings from the liquidation of prior-period obligations relating to programme costs are credited directly to the fund balances. Savings relating to project costs are credited to the project.

(l) Expenditure:

(i) Expenditures are incurred against authorized allotments. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at the historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges, as referred to in item (m) (iv) and (v) below.

(m) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus/minus any unamortized premium/discount. The market value of the short-term investments was lower than the book value. The book value has been adjusted accordingly (see schedule 3.1);

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for as stated in item (m) (ii) above. The share in the cash pools is reported separately in each of the participating fund's statements and its composition and the market value of its investments are disclosed in schedule 3.1;

(iv) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in

accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) For purpose of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vi) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in note 8 to the financial statements.

(n) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported as deferred charges and as unliquidated obligations;

(iii) Payments or contributions received in advance include pledged contributions for future periods and other income received but not yet earned;

(iv) The commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current period obligations related to special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations of funds of a multi-year nature remain valid until the completion of the project;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) The United Nations Human Settlements Programme is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF) which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. The financial obligation of the Organization to the Fund consists of its mandated contribution at the rate established by the Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. As at the date of the current financial statement, the Assembly has not invoked this provision.

(o) Financial reserve. As stated in rule 311.2 (b) of the financial rules of the United Nations Habitat and Human Settlements Foundation, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Foundation, to compensate for uneven cash flows and to meet such other similar requirements as may be decided upon by the Governing Council. The Governing Council, in its decision 19/2 of 9 May 2003, approved an increase in the general-purpose statutory reserve for the Foundation from $1,002,663 to $2,419,100 for the 2004-2005 biennium.

(p) Operational reserve. With regard to the special account for programme support costs and as stated in administrative instruction ST/AI/286, an operational reserve held at 20 per cent of the estimated annual programme support income is required to be held in a separate account at all times. This reserve is to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources.

(q) Earmarked fund balance. Funds designated for specified project activities are not available for the non-earmarked project and programme expenditures of the Foundation.

(r) Contingencies. A provision to meet contingent liabilities for compensation payments under appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Foundation has been made and is calculated on the basis of 1 per cent of net base salary. Furthermore, since July 2002, a provision calculated at 8 per cent of net base salary is made for end-of-service benefits.

(s) Technical cooperation activities:

(i) The technical cooperation financial statements report on activities financed by voluntary contributions, funds received under inter-organizational arrangements from UNDP and other sources;

(ii) Voluntary contributions. Effective 1 January 2002, voluntary contributions from Member States or other donors for technical cooperation activities are recorded as income upon receipt of cash, including amounts received pending the identification of specific projects;

(iii) Funds received under inter-organizational arrangements. The allocation of income from UNDP is determined by taking into account interest and other miscellaneous income against total expenditure;

(iv) Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;

(v) Unliquidated obligations for the current period in respect of all technical cooperation activities remain valid for 12 months following the end of the calendar year, rather than the biennium, to which they relate. However in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings on liquidation or cancellation of prior-period obligations are credited to individual projects as a reduction of the current period expenditure in accordance with the UNDP reporting requirements;

(vi) The distribution of interest income for trust funds is calculated at the end of the year using the percentage participation of each fund based on the monthly average fund balance.

Note 3
Reserves and fund balances

The cumulative surplus account of UN-Habitat represents savings in the liquidation of obligations for prior periods, contributions from Member States and other designated income. The level of earmarked fund balances of UN-Habitat has increased during the period. The account relates to funds earmarked for specific project activities, which tend to have a forward lag and may span a number of years.

Note 4
Combined statement of assets, liabilities, reserves and fund balances (statement II)

(a) Other accounts receivable

The following is a breakdown of other accounts receivable that are included in statement II as at 31 December 2005 and 2003:

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2005*	*Total 2003*
Staff members	390	174	564	508
Other United Nations entities	248	2 714	2 962	247
Vendors	-	5	5	16
Others	21	2	23	123
Total	**659**	**2 895**	**3 554**	**894**

(b) Other assets

The following is a breakdown of other assets that are included in statement II as at 31 December 2005 and 2003:

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2005*	*Total 2003*
Education grant advances	81	78	159	131
Commitments against future years	18	2 772	2 790	41
Other	51	251	302	450
Total	**150**	**3 101**	**3 251**	**622**

(c) Other accounts payable

The following is a breakdown of other accounts payable that are included in statement II as at 31 December 2005 and 2003:

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2005*	*Total 2003*
Governments	64	-	64	1
Staff members	88	169	257	508
Vendors	139	219	358	270
Other United Nations entities	1 466	1 413	2 879	2 607
Provisions for repatriation grant claims	744	-	744	412
Others	337	161	498	52
Total	**2 838**	**1 962**	**4 800**	**3 850**

(d) Inter-fund balances

The inter-fund accounts reflect transactions between the Foundation and technical cooperation activities, the United Nations general fund and other funds, which are settled periodically. The following is a breakdown of inter-fund balances that are included in statement II as at 31 December 2005 and 2003:

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2005*	*Total 2003*
Inter-fund balances receivable	6 680	-	6 680	-
Inter-fund balances payable	-	8 501	8 501	422
Net inter-fund receivable/(payable)	**6 680**	**(8 501)**	**(1 821)**	**(422)**
Net inter-fund receivable/payable is due from/to:				
Escrow account			-	2 434
UNEP			(1 821)	(2 856)
Net inter-fund receivable/(payable)			**(1 821)**	**(422)**

Note 5
All funds summary for the biennium 2002-2003 comparatives (statements I, II and III)

(Thousands of United States dollars)

Statement I: Combined statement of income and expenditure and changes in reserve fund balances

	Foundation	*Technical cooperation*	*Eliminations*	*Total*
Income				
Voluntary contributions	52 088	23 950	—	76 038
Funds received under inter-organizational arrangements	—	27 602	—	27 602
Interest income	1 766	931	—	2 697
Programme support income	—	380	—	380
Miscellaneous income	229	81	(75)	235
Total income	**54 083**	**52 944**	**(75)**	**106 952**
Expenditure				
Foundation activities	45 085	—	(75)	45 010
Technical cooperation activities	—	49 767	—	49 767
Total expenditure	**45 085**	**49 767**	**(75)**	**94 777**
Excess of income over expenditure	8 998	3 177	—	12 175
Prior-period adjustments	552	(1 321)	—	(769)
Net excess/(shortfall) of income over expenditure	**9 550**	**1 856**	**—**	**11 406**
Savings on prior-period obligations	167	155	—	322
Transfer from reserves	—	2 198	—	2 198
Transfer from other funds	156	—	—	156
Credits to Member States (donors)	(21)	—	—	(21)
Fund balances, beginning of period	8 266	3 424	—	11 690
Fund balances, end of period	**18 118**	**7 633**	**—**	**25 751**
Reserves, beginning of period	1 261	4 000	—	5 261
Transfer to reserves	—	(2 198)	—	(2 198)
Reserves, end of period	**1 261**	**1 802**	**—**	**3 063**
Total reserves and fund balances	**19 379**	**9 435**	**—**	**28 814**

Statement II: Combined statement of assets, liabilities, reserves and fund balances

	Foundation	*Technical cooperation*	*Eliminations*	*Total*
Assets				
Cash and term deposits	1 279	6 543	—	7 822
Cash pool	33 336	21 278	—	54 614
Accounts receivable				
Voluntary contributions	154	—	—	154
Inter-fund balances	—	2 526	(2 526)	—
Other	685	209	—	894
Other assets	498	124	—	622
Total assets	**35 952**	**30 680**	**(2 526)**	**64 106**
Liabilities				
Payments or contributions received in advance	10	—	—	10
Unliquidated obligations	11 827	13 880	—	25 707
Accounts payable				
Inter-fund balances	2 948	—	(2 526)	422
Other	1 754	2 096	—	3 850
Balances relating to projects funded by donors	—	4 618	—	4 618
Other liabilities	34	651	—	685
Total liabilities	**16 573**	**21 245**	**(2 526)**	**35 292**
Reserves and fund balances				
Financial reserves	1 003	—	—	1 003
Operating reserves	258	1 802	—	2 060
Earmarked fund balance	9 684	4 572	—	14 256
Cumulative surplus	8 434	3 061	—	11 495
Total reserves and fund balances	**19 379**	**9 435**	—	**28 814**
Total liabilities, reserves and fund balances	**35 952**	**30 680**	**(2 526)**	**64 106**

Statement III: Combined statement of cash flows

	Foundation	*Technical cooperation*	*Eliminations*	*Total*
Cash flow from operating activities				
Net excess (shortfall) of income over expenditure	8 998	3 177	—	12 175
(Increase) decrease in				
Contributions receivable	444	—	—	444
Other accounts receivable	(250)	460	—	210
Other assets	(310)	(78)	—	(388)
Inter-fund balances receivable	2 327	(1 566)	—	761
Increase (decrease) in				
Unliquidated obligations	6 935	471	—	7 406
Accounts payable	(408)	1 122	—	714
Other liabilities	(673)	651	—	(22)
Balances relating to projects funded by donors	—	24 750	—	24 750
Less: Interest income	(1 766)	(931)	—	(2 697)
Net cash flow from operating activities	**15 297**	**28 056**	**—**	**43 353**
Cash flow from investing activities				
(Increase) decrease in cash pools	(22 065)	(21 278)	—	(43 343)
Plus: Interest income	1 766	931	—	2 697
Net cash flow from investing activities	**(20 299)**	**(20 347)**	**—**	**(40 646)**
Cash flow from financing activities				
Savings on or cancellation of prior-period obligations	169	155	—	324
Transfers from other funds	156	—	—	156
Credits to Member States (donors)	(21)	—	—	(21)
Other adjustments to reserves and fund balances	551	(1 321)	—	(770)
Net cash flow from financing activities	**855**	**(1 166)**	**—**	**(311)**
Net increase (decrease) in cash and term deposits	(4 147)	6 543	—	2 396
Cash and term deposits and cash pool, beginning of period	5 426	—	—	5 426
Cash and term deposits, end of period	**1 279**	**6 543**	**—**	**7 822**

Note 6
Restatement of year 2002-2003 Foundation activities comparatives (statement IV)

Comparative figures for the biennium 2002-2003 have been restated to eliminate income received from Foundation project activities and credited in Foundation programme activities.

Combined statement of income and expenditure and changes in reserves and fund balances

(Thousands of United States dollars)

	As reported in 2002-2003	*Eliminations*	*As restated in 2004-2005*
Income			
Voluntary contributions	52 088	—	52 088
Interest income	1 766	—	1 766
Miscellaneous income	605	(376)	229
Total income	**54 459**	**(376)**	**54 083**
Expenditure			
Programme activities and programme support costs	10 731	—	10 731
Project activities	34 730	(376)	34 354
Total expenditure	**45 461**	**(376)**	**45 085**
Excess of income over expenditure	8 998	—	8 998
Prior-period adjustments	552	—	552
Net excess/(shortfall) of income over expenditure	**9 550**	**—**	**9 550**
Savings on prior-period obligations	167	—	167
Transfers from reserves	156	—	156
Credits to Member States (donors)	(21)	—	(21)
Fund balances, beginning of period	8 266	—	8 266
Fund balances, end of period	**18 118**	**—**	**18 118**

Note 7
Technical cooperation activities

(a) The United Nations General Assembly, in its resolution 56/206, elevated UN-Habitat to the status of a United Nations programme.

(b) Commencing in 2004, to reflect the full activities of UN-Habitat and with the agreement of the United Nations Secretariat, a combined financial report has been prepared to reflect technical cooperation activities and activities of the United Nations Habitat and Human Settlements Foundation. Comparative figures have been restated accordingly.

(c) The reporting of UN-Habitat technical cooperation activities as part of the United Nations financial statements prepared by the Secretariat was then discontinued.

(d) The amount of $18.1 million shown in statement VII as "Balances relating to projects funded by donors" represents amount receivable from UNDP, in accordance with existing arrangements with UNDP out of which $12.2 million related to unliquidated obligations.

(e) The increase in the level of unliquidated obligations for the current biennium can be mainly attributed to pending billings from UNDP due to the increased level of field activities.

Note 8
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against the current appropriations when acquired. The following shows the non-expendable property.

(Thousands of United States dollars)

	2005	*2004*
Computer equipment	2 777	1 556
Office equipment	474	405
Radio and telecommunication equipment	152	144
Audiovisual/photographic equipment	162	104
Transportation equipment	254	85
Furniture	244	61
Maintenance equipment	12	1
Document and reproduction equipment	20	1
Regional and outposted offices	1 559	—
Total	**5 654**	**2 357**
Summary		
Opening balance	2 357	1 872
Total acquisitions locally procured	2 653	475
Dispositions		
Write-offs (normal wear and tear)	(117)	—
Transfers to other offices/missions	(50)	—
Prior-period adjustments	811	10
Closing balance	**5 654**	**2 357**

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